

*State of**Maryland*

**MEDICAL CARE POLICY ADMINISTRATION
DEPARTMENT OF HEALTH AND MENTAL HYGIENE**

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**MARYLAND MEDICAL ASSISTANCE PROGRAM
Managed Care Organization Transmittal No. 4
February 27, 1998**

Managed Care Organizations

FROM: Joseph M. Millstone, Director *JMM*
Medical Care Policy Administration

NOTE: Please ensure that appropriate staff members in your organization are informed about the contents of this transmittal.

Financial Reporting

This transmittal addresses various items regarding financial reporting.

Medical Loss Ratio

While HealthChoice regulations were effective January 1, 1997, implementation took place June 1, 1997 and capitation began as of July 1, 1997. The review period for the medical loss ratio for calendar year 1997 will be based on the months July 1997 through December 1997. Although the calculated medical loss ratio for CY 1997 will be reviewed, there will be no adjustment to the FY 1999 MCO capitation payments based on this initial partial year's experience. Thus, the first year for which there might be a capitation payment adjustment resulting from a loss ratio below the threshold would be FY 2000. The Program has no intention at this time of making retroactive capitation payment adjustments based on loss ratio considerations.

As specified in the regulations, the medical loss ratio criteria of 85% will be used for CY 1998 and thereafter.

NAIC Reporting

As discussed at the MCO training in August 1997 conducted by the Medical Care Finance and Compliance Administration and the Maryland Insurance Administration, the Maryland Insurance Administration will use the National Association of Insurance Commissioner's *Annual Statement of Instructions for Health Maintenance Organizations* to review the MCOs' allocation of costs, Medical versus Administrative. Therefore, MCOs are encouraged to use these instructions when completing their MIA Annual Reports. The document can be purchased from NAIC by calling (816) 842-3600. The Medicaid Program, in conjunction with the MIA, will calculate the Medical Loss Ratio on the basis of the information provided on the submitted MIA Annual Report.

MCOs are reminded of the materials that were provided to them at the August training, and another copy of NAIC's *Accounting Practices and Procedures Manual* is attached.

Questions

Any financial questions should be put in writing and forwarded to both Abraham John, Maryland Insurance Administration, 525 St Paul Place, Baltimore MD 21202-2272, and Kenneth Smoot, Medical Care Finance and Compliance Administration, 201 West Preston Street, Baltimore MD 21201. Written questions and answers will be shared with all MCOs. `